Strategy versus Planning: Strategic planning is an oxymoron

BY LINDA WOLSTENCROFT

The term “strategic planning” is a commonly used term. In a literal sense, this terminology is a misnomer, an oxymoron, because it is an expression that combines the contradictory terms of “strategy” and “planning” (McGill University’s Professor Henry Mintzberg has written on this notion.)

Strategy is the overall guidance under which the business operates. It is the “what”.

Planning addresses the specific activities, timelines, resources, and knowledge that are required to meet a defined objective. It is the “how”.

It’s important to differentiate between strategy and planning. If we mix up strategy and planning, then our thinking can become unclear. We may start to believe that planning is strategy. And we may not ask and answer the critical strategy questions. The result can become an ineffective strategy, leading to sub-optimal business results. (And who wants sub-optimal business results?)

One key attribute of a good strategy is clarity. Being clear means that it is unambiguous; that it is not vague, and one knows exactly what it means.

For example, a strategy that sets out that our company produces the “best widget” is not a clear strategy. This is because “best” is not clearly defined, and it can mean several different things:

• It could be “best” in terms of its operational characteristics being better than that of any of the competitors’ widgets.
• It could be “best” because it has the most reports of recommendation from users than do competing products.
• It could be “best” because it is in use by the largest members within the customer community.
• It could be “best” because it is in use by the most members of the customer community.

DON’T CONFUSE STRATEGY WITH TACTICS

When discussing strategy, it is critical to stay out of the tactics and the planning. When deciding what we mean by “best”, we could be determining whether our widget is going to be best as measured by customer satisfaction, or by product performance – basically, whichever will produce the best business results in the future. At this point in time, we should NOT be talking about issues such as how to measure customer satisfaction, or what exactly do we meet with regards to best product performance. In this discussion we are talking about the what, NOT the how.

Even if we know that we have an excellent system in place to measure customer satisfaction, this still should not be a factor when discussing whether our product will be the best operational performance or best customer satisfaction. Just because something is easy to do, if it is implemented from a “How” perspective, it should not color the larger, more important decision around what our strategy should be.

Every day we see hints of a company’s strategy when we see their advertisements and press releases. One ad may focus on what customers are saying; another ad for a competing product may focus on operational performance being superior; and yet another ad may focus on cost-effectiveness. What is the right answer for your company? The answer is… it depends. During your strategy development you need to address difficult questions. Some of these questions include:

• What do customers in your marketplace value?
• What are your company’s key attributes and capabilities?
• Where is the market headed, and what will the market value in the future?
• What is unique about your existing products and services?
• What are your competitors doing, and what is their strategy?
• What should you do to address where the market and the competition are headed to put you in a more favorable position? Should you reduce costs? Or improve the product? Or get closer to your customers? Or develop a customer retention strategy that draws customers in and then increases the barriers to change?

Another key attribute of a successful strategy is that it is well understood within the organization. This means that priorities are set in line with the strategy and that the company is organized in such a way that the strategy can be executed in a more natural manner. It means that management communicates the strategy and its nuances to the organization. It means that employees can set their own priorities based on the strategic importance of activities. It means that there is a better understanding between managers and between employees as to what the priorities need to be.

So what, then, is “strategic planning”? It is indeed planning but it is planning based upon a strategy. It should be done subsequent to, and not before, the development of strategy. Strategy development comes first - planning comes second.

Well-run organizations use both strategy and planning, and understand how to differentiate the two. However, both strategy development and planning are done on a regular basis, but with the ever-increasing speed of change of our environment, reviewing strategy every couple of years is important and will only serve to improve business results.

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